



(continued)

5. 80% of total population resides in Class 1 and Class 2 counties; 20% resides in all other counties. The qualifying new jobs created each year are distributed 80% to class 1 and class2 counties, and 20% to remaining counties.
6. A total of 3,314 jobs will be granted a total credit of \$497,100 (4,142 X 80% X \$150 = \$497,100); and a total of 828 jobs will be granted a total credit of \$248,400 (4,142 X 20% X \$300 = \$248,400), for a total annual credit under this proposal of \$745,500.
7. The Department of Revenue will incur additional administrative expense of \$20,241 to implement the provisions of this bill. These expenses cover costs associated with adding a new line to income tax forms, and data processing changes needed to capture the information pertaining to the credit.

FISCAL IMPACT:

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$20,241	\$0
<u>Funding:</u>		
General Fund (01)	\$20,241	\$0
<u>Revenues:</u>		
General Fund (01)	\$0	\$(745,500)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	\$(20,241)	\$(745,500)

LONG-RANGE IMPACTS:

The bill provides that the credit for a new job can be claimed each year for five years following creation of the job. If all of the new jobs created remain in place for five years, then the credit will grow to \$1.5 million in fiscal 2004; to \$2.25 million in fiscal 2005; to \$3 million for fiscal 2006; and will peak at \$3.75 million in fiscal 2007.

TECHNICAL NOTES:

1. The bill does not specify who is to receive this credit (e.g., the employer?).
2. The title of the bill indicates that the legislation would provide a refundable tax credit, but the language in the bill provides that “If the credit granted under this section exceeds the taxpayer’s liability for the tax year, the amount of the excess *may* be refunded to the taxpayer.” To ensure a refundable credit the language should read the excess *must* be refunded to the taxpayer.
3. If the credit is a refundable credit, there is no need to provide for language referring to “any job gains tax credit carryovers”, as is done in Section 1(1)(b), as there would be no need for carryovers with a refundable credit.
4. The bill provides for a credit of \$150 for each qualifying job for the first 5 years that a job is filled in counties of the first and second class. The bill provides for a credit of \$300 a year in all other classes of counties. The bill is not clear if this second credit is to continue indefinitely, or is also subject to the 5 year limitation placed on credits granted in first and second class counties.
5. The credit of \$300 in all other classes of counties is limited to just those counties with populations of less than 15,000 people. In some years this would eliminate some counties for eligibility to receive the credit.